February 21st , 2023

Shinhan Securities



Vinh Hoan Corporation

[Vietnam / Fisheries]

Bloomberg Code (VHC VN) | Reuters Code (VHC.HM)

HOLD

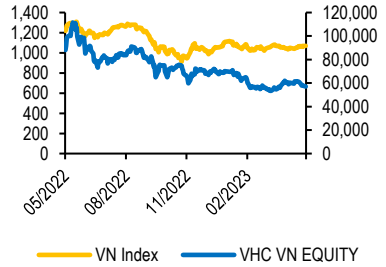
Update Report

Target price (12 months)	**69,500 VND**
Current price (21/02/2023)	63,700 VND
Return (%)	9.1%

VNINDEX	1,223
Market P/E (x)	15.9
Market Cap (bn VND)	14,298
Outstanding shares (1mn)	224
Free float (1mn)	112
52-week high/low (VND)	71,917/44,417
90-day avg. trading volume (1mn)	0.81
90-day avg.turnover (bn VND)	48
Foreign ownership (%)	27.67

Major shareholders (%)	Truong Thi Le Khanh	42.32
	Mitsubishi Corporation	6.42

Performance	3M	6M	12M
Abs (%)	7.7	7.7	18.5
Rel to VN-Index (%)	-2.5	4.0	5.5



Source: Bloomberg

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Purchasing power returns

Update recommendation HOLD, target price at VND 69,500

Vinh Hoan Corporation is the leading pangasius producer in Vietnam, accounting for over 15% of the country's total pangasius export turnover. 2023 was a challenging year for the pangasius industry in general and Vinh Hoan in particular, as revenue was severely affected by a sharp decline in the US market, VHC's main export market. However, in December 2023, pangasius exports to the US grew positively for the first time compared to the same period in 2022. Next in January 2024, seafood exports showed positive signs when increasing by 60.8% YoY, in which pangasius exports are forecast to recover strongly. Therefore, in 2024 we expect the company's business situation to become more positive when macroeconomic stability helps the purchasing power of the markets recover. We changed our EV/EBITDA to P/E valuation method to more accurately reflect the industry's evolving outlook. Based on the FCFF and P/E methods, with a weight of 50:50, the target price for VHC is VND 69,500 (after stock dividend of 20% and cash dividend of 20%).

Update Vinh Hoan's business result in Q4/2023

Vinh Hoan Corporation (VHC) reported a net revenue of VND 2,396 billion (-3.2% YoY) and net profit of VND 66 billion (-66.7% YoY) in Q4 2023. For the full year 2023, the company's net revenue reached VND 10,039 billion (-24.1% YoY) and net profit was VND 950 billion (-52.8% YoY). The sharp decline in pangasius export prices, coupled with a significant increase in cost of goods sold and a high base from the previous year, led to a substantial decrease in both revenue and net profit. In 2023, VHC's business segments experienced the following:

Pangasius segment: Pangasius segment revenue in 2023 will reach VND 5,537 billion (-55.2% YoY), mainly affected by low selling prices and reduced output. Specifically, the main revenue from the US market reached 2,963 billion VND (-49.7% YoY), while the Chinese market reached 1,182 billion VND (-8.7% YoY). The domestic market plays an important role when exports face difficulties, accounting for 28% of revenue, (2022: 21%, 2020: 11%).

Collagen & Gelatine and Sa Giang: Revenue from collagen & gelatin, by-products and Sa Giang recorded 720 billion VND (-21% YoY), 1,669 billion VND (-29% YoY) and 304 billion VND (-9% YoY), respectively, accounting for 7%, 17%, and 5% of revenue.

In 2023, VHC achieved 87% of its revenue plan and 95% of its NPAT plan. We adjust VHC's revenue in 2024 to reach 11,381 billion VND (+13.4% YoY) and NPAT to 1,247 billion VND (+31.3% YoY) when the business situation is more favorable thanks to factors (1) inventory of the US reduced, (2) the EU taxed pollock and cod from Russia at 13.7% (cannot continue to enjoy 0% tax incentives), and (3) cooling inflation spurred consumer demand to return.

Risk (1) Risk of export; (2) Shortage of supply

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**10,039**	**11,381**	**12,939**	**10,684**	**11,830**
OP (bn VND)	928	1,377	1,871	797	1,474
NP (bn VND)	**950**	**1,247**	**1,700**	**746**	**1,359**
EPS (VND)	3,994	5,245	7,149	3,138	5,718
BPS (VND)	38,168	43,722	49,295	50,619	54,675
OPM	9.2	12.1	14.5	7.5	12.5
NPM	9.5	11.0	13.1	7.0	11.5
ROE	11.7	13.6	16.3	6.7	11.5
PER (x)	15.1	13.3	9.7	22.2	11.0
PBR (x)	1.6	1.6	1.4	1.4	1.5
EV/EBITDA (x)	6.5	8.7	6.8	12.3	8.0

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

We use Discounted Cash Flow (DCF) and P/E valuation methods to value VHC with 50%-50%. We recommend HOLD at a valuation of VND 69,500, equivalent to a return of 9.1%.

Weighted Average Cost of Capital (WACC)	
WACC (%)	**10.4**
Risk-free rate (%)	2.5
Equity risk premium (%)	9.0
Beta	1.03
Cost of debt (%)	6.2
Cost of equity (%)	11.8
Debt-to-equity ratio	0.22
Total debt (bn VND)	2,637

Source: Company data, Shinhan Securities Vietnam

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Net profit	1,247	1,700	746	1,359	1,741
After-tax interest expense	141	152	129	141	159
Depreciation & Amortization	332	341	350	360	370
Change in working capital	327	(505)	633	(578)	(116)
CapEx	(116)	(121)	(197)	(166)	(237)
Free Cash Flow to Firm (FCFF)	**1,931**	**1,567**	**1,661**	**1,116**	**1,917**
PV of FCF	1,749	1,287	1,228	747	1,161
Growth rate (%)	0%				
Present value of long-term value	11,008				
Enterprise value	17,180				
Debt	(2,637)				
Cash and cash equivalents	4,474				
Minority interest	(70)				
Owner's equity value	18,947				
Number of shares oustanding (million)	224.453				
Target price (VND)	**84,414**				

Source: Company Data, Shinhan Securities Vietnam

Based on the P/E method, we collected data from companies in the same industry similar to VHC, plus VHC's 5 year average P/E with a weight of 50%. We estimate VHC's target P/E at 10.42x. With the 2024 forward EPS at VND 5,245, VHC's target price is VND 54,669.

Peer valuation

Tickers	Company name	P/E	Mkt Cap (bn VND)
MPC VN Equity	Minh Phu Seafood Corporation	9.45	6,771
ANV VN Equity	Nam Viet Corporation	15.93	4,007
SEA VN Equity	Vietnam Seaproducts Joint Stock Corporation	14.08	3,250
FMC VN Equity	Sao Ta Foods	7.78	4,134
IDI VN Equity	International Development & Investment	16.25	2,607
Mean	11.95		
5 yrs average of VHC	8.9		
Target P/E	10.42		
EPS forward	5,245		
Target price (VND)	**54,669**		

Source: Company Data, Shinhan Securities Vietnam

Company background

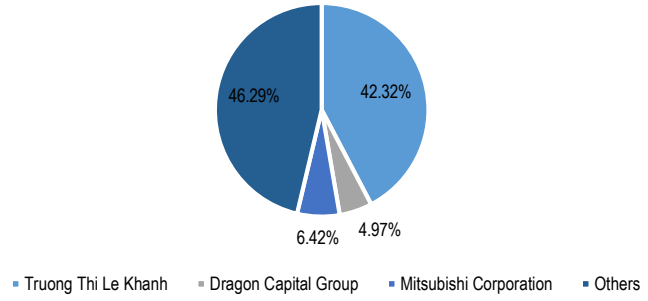
History of development

Vinh Hoan was established in 1997 in Dong Thap province, located in the Mekong Delta, specializing in farming and processing frozen pangasius products. In 2010, Vinh Hoan rose to the top of Vietnam's pangasius industry in export turnover, according to the Vietnam Association of Seafood Exporters and Producers ("VASEP"). Currently, Vinh Hoan is the enterprise with the largest export market share in the industry, accounting for 17% (in 2021), nearly three times higher than the remaining competitors. The company's chairman is Mrs. Truong Thi Le Khanh, with more than 20 years of work in the pangasius industry. Beside her are effective assistants taking on many segments from farming and processing to sales strategy, such as: Ms. Nguyen Ngo Vi Tam has been in charge of anti-dumping lawsuits in the US; at the end of last year, Mrs. Khanh's daughter, Le Ngoc Tien, became the company's strategic director with the direction of digital transformation within the next 3 years, as well as managing the company's investment activities. Therefore, in the past year, Vinh Technology has invested in two companies specializing in alternative protein aquafeeds, Entobel and Shiok Meats.

Vinh Hoan has main business activities in farming and processing pangasius products. Vinh Hoan's revenue by product can be listed as: fillet, collagen & gelatine, and by-products. The fillet segment brought Vinh Hoan's largest revenue source, accounting for 66%, along with by-products and collagen & gelatine contributed 19% and 7% of total revenue in 2021, respectively. In 2022, Vinh Hoan has returned with an aqua feed factory project and many new segments that promise to help improve the gross profit when the frozen pangasius export segment faces fluctuations.

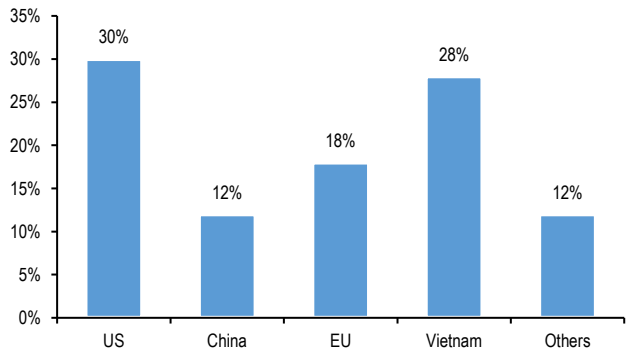
Vinh Hoan Corp. has been officially listed on the Ho Chi Minh Stock Exchange since 2007, under the ticker 'VHC'.

Shareholder's structure as of 21/02/2024



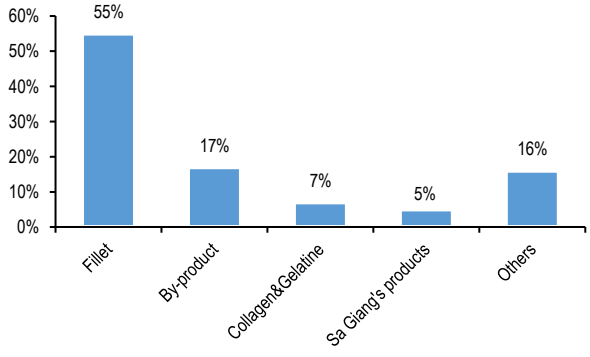
Source: Company Data, Shinhan Securities Vietnam

Revenue by destination in 2023



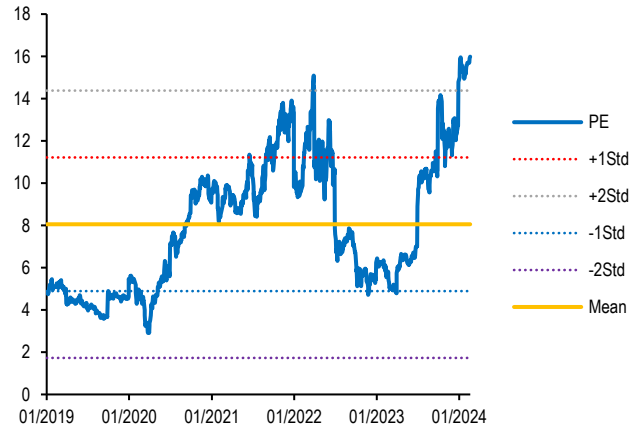
Source: Company Data, Shinhan Securities Vietnam

Revenue by products in 2023



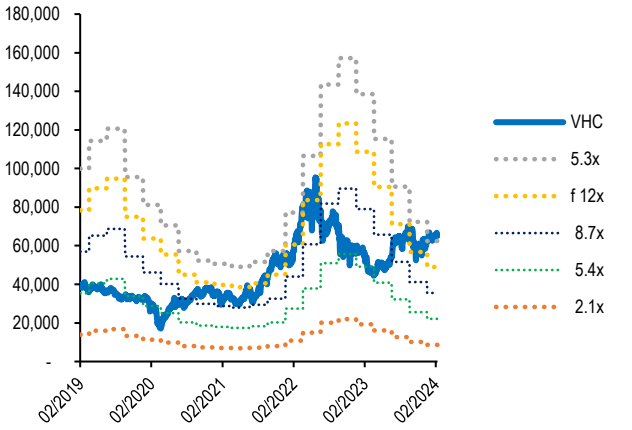
Source: Company Data, Shinhan Securities Vietnam

PER of VHC



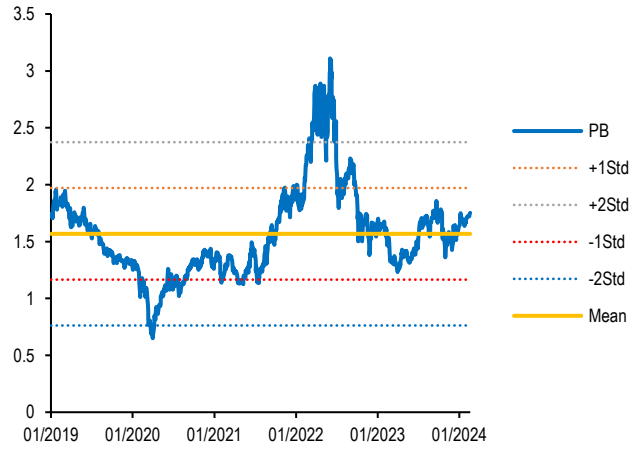
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PER band chart of VHC



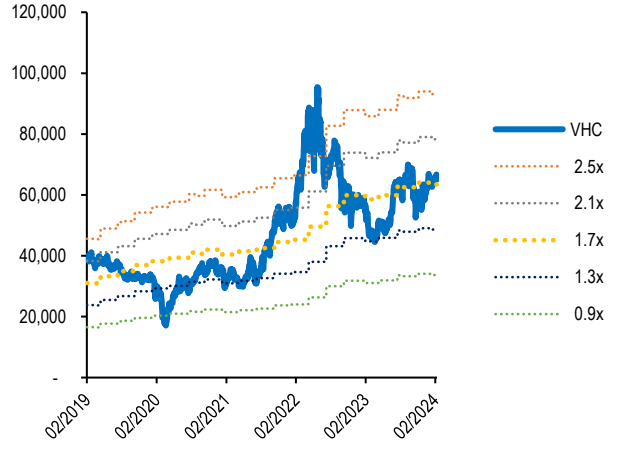
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR of VHC



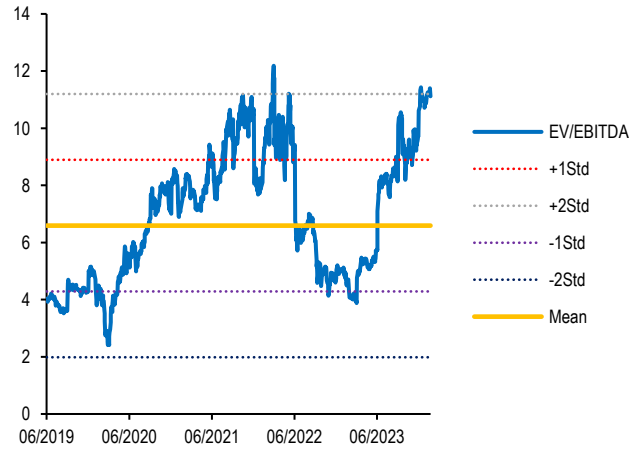
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

PBR band chart of VHC



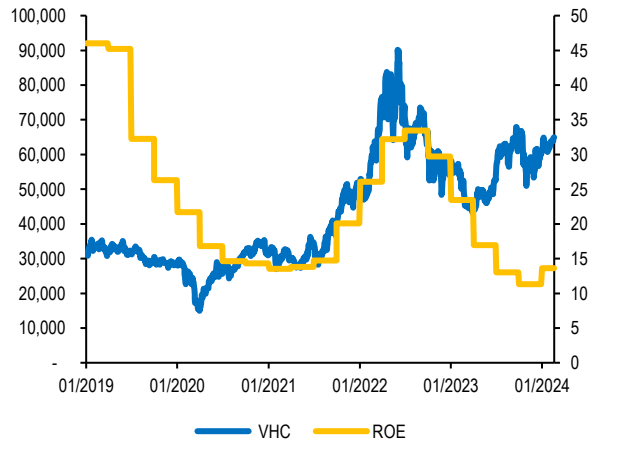
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

EV/EBITDA of VHC



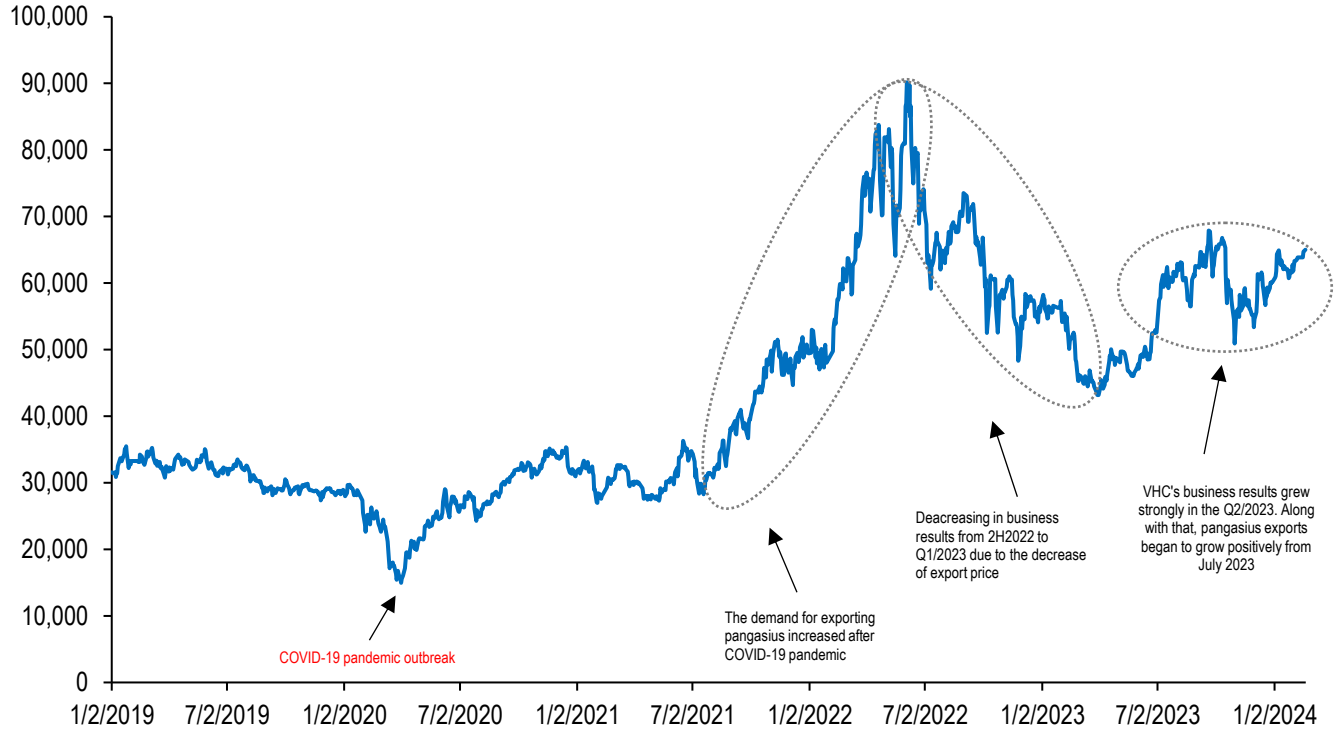
Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Correlation between VHC's price and ROE



Source: Bloomberg, Company Data, Shinhan Securities Vietnam

Key events chart of VHC



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	**11,583**	**11,806**	**13,816**	**15,254**	**15,022**
Current assets	7,640	7,751	9,972	11,612	11,609
Cash & equivalents	553	238	854	1,384	1,343
Short-term financial asset	1,768	2,068	3,620	4,374	5,001
Accounts receivable	2,330	1,582	2,370	2,158	1,998
Inventories	2,818	3,618	2,923	3,457	3,050
Non-current assets	3,943	4,054	3,844	3,642	3,413
Net fixed assets	2,824	3,380	3,164	2,944	2,791
Investment assets	446	627	632	230	230
Other long-term assets	212	501	487	444	450
Total liabilities	**3,889**	**3,239**	**4,002**	**4,189**	**3,660**
Current liabilities	3,698	3,118	3,851	4,028	3,522
Accounts payable	448	299	519	367	416
Short-term borrowings	2,214	2,157	2,504	2,814	2,337
Others	1,037	662	827	847	769
Non-current liabilities	191	121	152	162	139
Long-term borrowings	175	102	133	141	121
Other financial liabilities	16	19	19	20	18
Total shareholders' equity	**7,694**	**8,567**	**9,814**	**11,064**	**11,362**
Capital stock	1,834	1,870	2,245	2,245	2,245
Capital surplus	264	264	264	264	264
Other capital	0	0	-	-	-
Retained earnings	5,426	6,191	6,994	8,150	8,405
Non-controlling interest equity	171	242	311	406	448
*Total debt	2,388	2,259	2,637	2,955	2,458
*Net debt (cash)	67	(47)	(1,837)	(2,803)	(3,886)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	**13,231**	**10,039**	**11,381**	**12,939**	**10,684**
Growth (%)	46.1	(24.1)	13.4	13.7	(17.4)
COGS	**(10,255)**	**(8,594)**	**(9,332)**	**(10,351)**	**(9,295)**
Gross profit	**2,976**	**1,445**	**2,049**	**2,588**	**1,389**
GPM (%)	22.5	14.4	18.0	20.0	13.0
SG&A	**(721)**	**(517)**	**(671)**	**(717)**	**(592)**
Operating profit	**2,254**	**928**	**1,377**	**1,871**	**797**
Growth (%)	88.0	(58.9)	48.5	35.9	(57.4)
OPM (%)	17.0	9.2	12.1	14.5	7.5
Non-operating profit	**68**	**180**	**101**	**138**	**97**
Financial income	434	371	397	465	378
Financial expense	(370)	(222)	(296)	(335)	(292)
In which: interest expenses	(97)	(133)	(165)	(177)	(150)
Net other non-operating profit	4	31	(0)	8	11
Pre-tax profit	**2,323**	**1,108**	**1,478**	**2,009**	**894**
Income tax	(310)	(158)	(231)	(309)	(148)
Net profit	**2,013**	**950**	**1,247**	**1,700**	**746**
Growth (%)	81.9	(52.8)	31.3	36.3	(56.1)
NPM (%)	15.2	9.5	11.0	13.1	7.0
Controlling interest	1,975	897	1,177	1,605	704
Non-controlling interest	38	53	70	95	42
EBIT	**2,420**	**1,241**	**1,642**	**2,186**	**1,044**
Growth (%)	81.5	(52.3)	33.4	35.9	(55.5)
EBIT Margin (%)	18.3	12.4	14.4	16.9	9.8
EBITDA	**2,747**	**1,644**	**1,975**	**2,527**	**1,394**
Growth (%)	71.8	(40.2)	20.1	28.0	(44.8)
EBITDA margin (%)	20.8	16.4	17.3	19.5	13.1

Statement of cash flow

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	**1,648**	**748**	**1,906**	**1,536**	**1,729**
Net profit	2,013	950	1,247	1,700	746
Depreciation expense	327	402	332	341	350
(Gain) from investing activities		-	-	-	-
Change in working capital	(692)	(604)	327	(505)	633
Others	-	-	-	-	-
Cash flow from investments	**(1,573)**	**(965)**	**(1,667)**	**(875)**	**(824)**
Change in fixed assets	(1,072)	(1,066)	(116)	(121)	(197)
Change in investment assets	(496)	(301)	(1,551)	(755)	(627)
Others	(5)	403	-	-	-
Cash flow from financing	**284**	**(93)**	**377**	**(131)**	**(946)**
Change in equity	154	37	374	-	-
Net borrowing	497	(129)	377	318	(497)
Dividends	(367)	-	(374)	(449)	(449)
Change in total cash	**360**	**(309)**	**617**	**530**	**(41)**
Beginning cash	195	553	238	854	1,384
Change in FX rates	(2)	(7)	(0)	-	-
Ending cash	553	238	854	1,384	1,343

Source: Company data, Shinhan Securities Vietnam

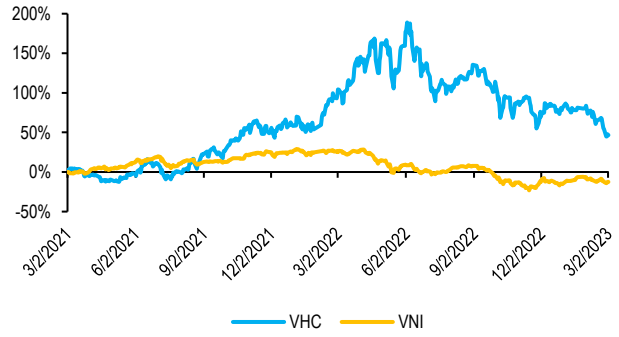
Key ratios

Năm	2022	2023	2024F	2025F	2026F
EPS (VND)	10,771	3,994	5,245	7,149	3,138
BPS (VND)	41,959	38,168	43,722	49,295	50,619
DPS (VND)	2,000	0	1,667	2,000	2,000
PER (x)	5.2	15.1	13.3	9.7	22.2
PBR (x)	1.3	1.6	1.6	1.4	1.4
EV/EBITDA (x)	5.7	6.5	8.7	6.8	12.3
Dividend payout ratio (%)	18.2	0.0	30.0	26.4	60.2
Dividend yield (%)	36.0	0.0	24.0	28.8	28.8
Profitability					
EBITDA margin (%)	20.8	16.4	17.3	19.5	13.1
OPM (%)	17.0	9.2	12.1	14.5	7.5
NPM (%)	15.2	9.5	11.0	13.1	7.0
ROA (%)	19.8	8.1	9.7	11.7	4.9
ROE (%)	29.6	11.7	13.6	16.3	6.7
Stability					
Debt to equity ratio (%)	31.0	26.4	26.9	26.7	21.6
Net debt ratio (%)	2.5	(2.8)	(93.0)	(110.9)	(278.7)
Cash ratio (%)	62.8	74.0	116.2	143.0	180.1
Interest coverage ratio (x)	24.9	9.3	10.0	12.4	6.9
Activity (%)					
Working capital turnover (days)	89.3	193.5	184.2	197.9	295.3
Inventory turnover (days)	82.1	136.7	127.9	112.5	127.7
Receivable turnover (days)	61.5	71.1	63.4	63.9	71.0

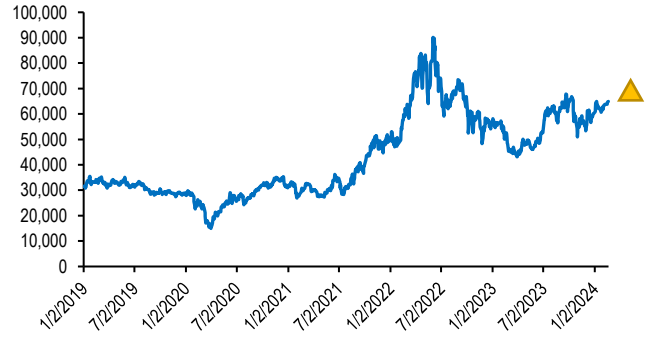
Source: Company data, Shinhan Securities Vietnam

VHC Corp. (VHC VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
04/08/2022 (Initation)	BUY	101,432	39.8	-11.4/159.8
24/02/2023 (Update)	BUY	72,700	-10.7	-36.5/21.6
24/05/2023 (Update)	BUY	81,300	9.4	-31.1/52.5
07/08/2023 (Update)	BUY	102,800	49.9	11.7/92.9
20/11/2023 (Update)	BUY	106,300	57.5	26.5/99.1
21/02/2024 (Update)	HOLD	69,500	24.6	2.4/61.1

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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